SUPERIOR MINING INTERNATIONAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

FOR THE YEARS ENDED JULY 31, 2010 AND 2009

CHARTERED
ACCOUNTANTS
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Auditors' Report

To the Shareholders of
Superior Mining International Corporation

We have audited the consolidated balance sheets of Superior Mining International Corporation as at July 31, 2010 and 2009 and the consolidated statements of operations, comprehensive loss and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at July 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
November 17, 2010

"MacKay LLP"
Chartered Accountants

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian dollars)
AS AT JULY 31

	2010	2009
ASSETS		
Current		
Cash	$ 131,537	$ 34,794
Receivables	25,835	145,793
Prepaid expenses	12,326	-
	169,698	180,587
Mineral properties (Note 3)	1,798,880	1,602,574
Equipment (Note 4)	6,201	8,858
Investments (Note 5)	597,438	583,277
	$ 2,572,217	$ 2,375,296
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 150,289	$ 98,116
Loan payable (Note 6)	708,000	708,000
	858,289	806,116
Non-controlling interest	(11,723)	(8,854)
Shareholders' equity		
Capital stock (Note 7)	16,114,121	15,000,493
Contributed surplus (Note 7)	2,296,331	1,968,612
Deficit	(16,684,801)	(15,391,071)
	1,725,651	1,578,034
	$ 2,572,217	$ 2,375,296

Nature of operations and going concern (Note 1)
Commitment (Note 11)
Subsequent event (Note 16)

On behalf of the Board:

"John Proust" Director *"Cyrus Driver"* Director

The accompanying notes are an integral part of these consolidated financial statements.

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
(Expressed in Canadian dollars)
YEARS ENDED JULY 31,

	2010	2009
EXPENSES		
Administration	$ -	$ 15,383
Amortization	-	3,796
Bank charges and interest (Note 6)	23,432	25,826
Consulting (Note 9)	115,807	86,776
Filing and transfer agent fees	24,995	14,474
Foreign exchange (gain)/loss	(1,766)	148,992
Management fees (Note 9)	96,500	96,000
Office, telephone and printing (Note 9)	76,748	54,868
Professional fees (Note 9)	284,435	156,995
Property investigation (Note 9)	52,985	10,692
Stock-based compensation (Note 7)	232,016	90,939
Travel	117,179	12,576
Loss before other items	(1,022,331)	(717,317)
OTHER ITEMS		
Interest income	374	13,103
Write-off of mineral property (Note 3)	(275,183)	-
Write-off of loan receivable	(10,673)	(114,203)
Unrealized gain (loss) on investment (Note 5)	11,214	(218,531)
Write down of investments (Note 5)	-	(3,839,412)
	(274,268)	(4,159,043)
Loss before income tax and non-controlling interest	(1,296,599)	(4,876,360)
Non-controlling interest	2,869	8,854
Future income tax recovery	-	9,076
Net loss and comprehensive loss	(1,293,730)	(4,858,430)
Deficit, beginning of year	(15,391,071)	(10,532,641)
Deficit, end of year	$ (16,684,801)	$ (15,391,071)
Basic and diluted loss per common share	$ (0.03)	$ (0.14)
Weighted average common shares outstanding for basic loss per share	40,962,790	35,707,995

The accompanying notes are an integral part of these consolidated financial statements.

SUPERIOR MINING INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
YEARS ENDED JULY 31,

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (1,293,730)	$ (4,858,430)
Items not affecting cash		
Foreign exchange	(1,766)	148,992
Write-off of mineral property	275,183	-
Unrealized (gain) loss on investment (Note 5)	(11,214)	3,839,412
Amortization	-	3,796
Stock-based compensation	232,016	90,939
Future income tax recovery	-	(9,076)
Non-controlling interest	(2,869)	(8,854)
Write-off of loan receivable	-	114,203
Write-down of investment	-	218,531
Changes in non-cash working capital items:		
Decrease / (increase) in receivables	119,958	(136,882)
Increase / (decrease) in prepaid	(12,326)	7,266
Decrease / (increase) in accounts payable	66,943	(32,021)
Net cash used in operating activities	(627,805)	(622,124)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral properties	(398,697)	(1,231,087)
Repayment of investment	(2,947)	58,392
Loan receivable	-	(24,203)
Net cash used in investing activities	(401,644)	(1,196,898)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares for cash	1,220,000	-
Share issue costs	(95,574)	-
Net cash provided by financing activities	1,124,426	-
Foreign exchange on cash	1,766	14,588
Change in cash for the year	96,743	(1,804,434)
Cash, beginning of year	34,794	1,839,228
Cash, end of year	$ 131,537	$ 34,794

Supplemental disclosure with respect to cash flows (Note 8)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Superior Mining International Corporation (the "Company") is a Canadian company incorporated in the Yukon Territory. The Company is primarily engaged in the acquisition, exploration and development of mineral properties.

The recoverability of the amounts comprising mineral properties and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development and upon future profitable production.

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at July 31, 2010 the Company had an accumulated deficit of $16,684,801 (2009 - $15,391,071). In addition, the Company has not generated revenues from operations. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In order to continue as a going concern and to meet its corporate objectives, which primarily consist of exploration work on its mineral properties, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Current market conditions make the present environment for raising additional equity financing unfavourable. An inability to raise additional financing may impact the future assessment of the Company as a going concern under CICA 1400 General Standards of Financial Statement Presentation. See Note 10 for further discussion regarding liquidity risk.

These consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”).

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Principles of consolidation

These financial statements include:

(i) the accounts of the Company;
(ii) its wholly own subsidiaries: Superior Mining South Africa (PTY) Corporation, Owl Eye Trading 71 (Pty) Ltd., and Westland Minerals Limited.;
(iii) its 50% proportionate share of Middelvlei Gold & Investments (Pty) Ltd. ; and
(iv) its 87% ownership of Turquoise Moon Trading 403 Pty. Ltd.

All inter-company transactions are eliminated on consolidation.

Financial instruments

The Company follows the recommendations of CICA Handbook Section 3855, Financial Instruments - Recognition and measurement. Section 3855 provides that all financial instruments are to be recorded initially at fair value, with the exception of certain related party transactions. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument:

Held for trading assets -	measured at fair value with the change in the fair value recognized in net income during the period.
Available-for-sale assets -	measured at fair value with the changes in fair value recorded in other comprehensive income.
Held-to-maturity assets -	measured at amortized cost using the effective interest rate method.
Loans and receivables -	measured at amortized cost using the effective interest rate method.
Other liabilities -	measured at amortized cost using the effective interest rate method.

Transaction costs related to financial instruments will be expensed in the period incurred.

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash	Held for trading
Investments	Held for trading
Receivables	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Loan payable	Other liabilities

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Amendment to financial instruments – disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - Inputs that are not based on observable market data.

See Note 10 for relevant disclosures.

Goodwill and intangible assets

The Company adopted CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062.

Measurement uncertainty and estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the valuation of stock-based compensation and financing, impairment of assets, valuation of investments, provision for reclamation and useful lives for depreciation and amortization. Actual results could differ from these estimates.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral properties

i. Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated fair value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The amounts recorded are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recorded amounts.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain mineral property interests as well as the potential for problems arising from the frequently ambiguous conveying history characteristic of many mineral properties. The Company has investigated titles to all of its mineral property interests and, to the best of its knowledge, title to all of its mineral property interests are in good standing.

ii. Joint interests

A portion of the Company's exploration and development activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

iii. Asset retirement obligations

Asset retirement obligations are recognized for legal obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A liability for an asset retirement obligation must be recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost should be recognized by increasing the carrying value of the related long-lived asset. The asset retirement cost is subsequently charged to operations in a rational and systematic manner over the underlying asset's useful life. The initial fair value of the asset retirement liability is accreted, by charges to operations, to its estimated future value. The Company has determined that there are no significant asset retirement obligations at July 31, 2010 and 2009.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral properties (cont'd…)

iv. Impairment of long lived assets

The Company has adopted the recommendations of CICA Handbook Section 3063 "Impairment of Long-lived Assets" and abstract EIC 174, "Mining Exploration Costs" ("EIC 174") of the Emerging Issues Committee on a prospective basis. Section 3063 requires that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstance indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated.

EIC 174 provides that an enterprise that is in the development stage with initially capitalized exploration costs but has not established mineral reserves objectively and therefore does not have a basis for preparing a projection of the estimated future net cash flow from the property, is not obliged to conclude that the capitalized costs have been impaired. However, such an enterprise should consider whether a subsequent write-down of capitalized exploration costs related to mining properties is required.

Equipment

Amortization is calculated using the declining balance method at the following annual rate:

Vehicle	30%

Foreign currency translation

The Company's activities and those of its subsidiaries denominated in currencies other than Canadian dollars are translated as integrated operations using the temporal method. This method translates monetary balances at the rate of exchange at the balance sheet date, non-monetary balances at historic exchange rates and revenues and expense items at exchange rates in effect when incurred, except for amortization which is converted using rates prevailing at dates of acquisition. Any exchange gains or losses are included in the consolidated statements of operations.

Income (loss) per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on income (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options and warrants. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the year ended July 31, 2010 and 2009, this calculation proved to be anti-dilutive.

Basic income (loss) per share is calculated using the weighted-average number of common shares outstanding during the year.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Stock-based compensation

The Company accounts for its stock-based compensation programs using the fair value method. The fair value of option grants is generally established at the date of grant using the Black-Sholes option pricing model and the expense is recognized over the vesting period, with offsetting amounts recorded as contributed surplus. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date which the equity instruments are granted if they are fully vested and non-forfeitable. The Company has not incorporated an estimated forfeiture rate for stock options, rather the Company accounts for actual forfeitures as they occur. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

Share issue costs

Costs directly identifiable with the raising of capital are charged directly to share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

Valuation of warrants

The Company has adopted the residual value method with respect to the valuation of warrants issued as part of a private placement unit. The residual value method allocates the net proceeds to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the balance, if any, to the attached warrants. The fair value attributed to the warrants, if any, is recorded in Contributed Surplus.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for the benefit of loss carryforwards.

Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Comparative figures

Certain comparative figures have been restated in order to conform with the current year's presentation.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Recent accounting pronouncements

The new primary sources of generally accepted accounting principles that have been issued that the Company has not adopted because they are not yet in effect are as follows:

Business combinations

In January 2009, the AcSB released Section 1582, which replaces Section 1581 "Business Combinations". It provides the Canadian equivalent to IFRS 3 "Business Combinations". For the Company, this section applies prospectively to business combinations for which the acquisition is subsequent to August 1, 2011. Earlier application is permitted. Section 1582 must be applied together with Section 1601 and Section 1602 if it is implemented before August 1, 2011. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements. This standard is not expected to be adopted prior to the transition to IFRS.

Consolidated financial statements and non-controlling interests

In January 2009, the AcSB also released Section 1601 "Consolidated financial statements" and Section 1602 "Non-controlling interest", which replace Section 1600 "Consolidated Financial statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the consolidated financial statements of the parent, subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of IAS 27, "Consolidated and Separate Financial Statements".

For the Company, these sections apply to interim and annual consolidated financial statements relating to the fiscal year beginning on or after August 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. These sections must be applied together with Section 1582 "Business Combinations" if they are implemented for a fiscal year beginning before August 1, 2011. The Company is currently evaluating the impact of adopting these standards on its consolidated financial statements. These standards are not expected to be adopted prior to the transition to IFRS.

International financial reporting standards ("IFRS")

In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of August 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011. The Company is currently evaluating the impact of the conversion on the Company's consolidated financial statements and is considering accounting policy choices available under IFRS.

(Expressed in Canadian dollars)

3. MINERAL PROPERTIES

July 31, 2010	Mangalisa Project, South Africa	Victory Gold Project (formerly Placer Gold Project), New Zealand	Victory North, New Zealand	Otama Project, New Zealand	Ross South (formerly Westland Project, New Zealand	Ray Thomas Project, New Zealand	Total
Acquisition costs:							
Balance, beginning of year	$ 3,843	$ 90,687	$ -	$ -	$ 2,447	$ 22,917	$ 119,894
Additions	-	-	-	14,609	-	4,977	19,586
Written-off	-	-	-	-	-	(27,894)	(27,894)
Balance, end of year	3,843	90,687	-	14,609	2,447	-	111,586
Exploration expenditures incurred during the year							
Drilling	-	89,447	-	340	5,943	-	95,730
Geological and consulting	87,360	186,573	7,202	42,705	4,884	13,886	342,610
Office and miscellaneous	-	1,421	1,620	-	875	379	4,295
Travel	-	2,809	3,802	-	-	-	6,611
Amortization (Note 4)	-	1,993	-	-	-	664	2,657
Written-off	-	-	-	-	-	(247,289)	(247,289)
	87,360	282,243	12,624	43,045	11,702	(232,360)	204,614
Balance, beginning of year	1,050,608	199,712	-	-	-	232,360	1,482,680
Total deferred exploration	1,137,968	481,955	12,624	43,045	11,702	-	1,687,294
Balance, end of year	$ 1,141,811	$ 572,642	$ 12,624	$ 57,654	$ 14,149	$ -	$ 1,798,880

(Expressed in Canadian dollars)

3. MINERAL PROPERTIES (cont'd…)

July 31, 2009	Mangalisa Project, South Africa	Victory Gold Project (formerly Placer Gold Project), New Zealand	Ross South (formerly Westland Project, New Zealand	Ray Thomas Project, New Zealand	Total
Acquisition costs:					
Balance, beginning of year	$ -	$ 77,781	$ -	$ 14,594	$ 92,375
Additions	3,843	12,906	2,447	8,323	27,519
Balance, end of year	3,843	90,687	2,447	22,917	119,894
Exploration expenditures incurred during the year					
Drilling	616,642	23,596	-	23,596	663,834
Geological and consulting	420,688	46,510	-	55,110	522,308
Office and miscellaneous	13,278	7,429	-	5,339	26,046
Travel	-	2,389	-	2,389	4,778
	1,050,608	79,924	-	86,434	1,216,966
Balance, beginning of year	-	119,788	-	145,926	265,714
Total deferred exploration	1,050,608	199,712	-	232,360	1,482,680
Balance, end of year	$ 1,054,451	$ 290,399	$ 2,447	$ 255,277	$ 1,602,574

3. MINERAL PROPERTIES (cont'd…)

Mangalisa Project, South Africa

During the year ended July 31, 2008, the Company was granted a lease, giving it the right to explore in the eastern part of the Free State Goldfield in the village of Riebeekstad, South Africa.

During the year ended July 31, 2010, the Company entered into an agreement with Minco Mineral Holdings (Pty) Limited ("Minco"). Pursuant to the agreement, Minco has the option to acquire 90% of the Company's directly controlled shares in Turquoise Moon Trading 403 Pty. Ltd ("TMT") by spending USD$10,000,000 (CAD$10,283,000) on the development of TMT's Mangalisa Project. The Company holds a 74% interest directly. The Company also holds a further 13% interest in TMT indirectly. If Minco expends the full USD$10,000,000 (CAD$10,283,000) the Company's direct and indirect interest in TMT will be reduced to 20.4% (7.4% directly and 13% indirectly). The Company issued 250,000 finders warrants with a fair value of $84,905 in connection with the agreement (Note 7).

Ross South (Formerly Westland Project), New Zealand

During the year ended July 31, 2009, the Company was granted a lease to explore a property close to the Ross property in New Zealand.

Ross Alluvial Goldfield, New Zealand

Victory Gold Project (formerly named the Placer Property)

During the year ended July 31, 2008, the Company entered into an option agreement to acquire a 100% ownership in certain mineral permits of a mineral property located near Ross Township, New Zealand through the purchase of all of the shares of Placer Gold Resources Limited ("Placer Gold").

During the year ended July 31, 2010, the Company amended the option. Under the terms of the amended option agreement (the "Agreement"), Placer Gold and its shareholders have granted the Company a 24 month option to acquire a 100% interest in the permits comprising the Victory Property by carrying out an exploration program, constructing a placer mining facility (the "Plant") on that property, and processing 10,000 cubic meters of material through the Plant. The Agreement is structured as an option to purchase all of the issued and outstanding shares in the capital of Placer Gold, a New Zealand company.

Upon exercise of the option, the Company will grant to the Placer Gold shareholders a 7% net smelter royalty on the Property. In contrast to the previous option agreement, the Company is no longer required to complete a bankable feasibility study nor pay any advance royalty prior to commencing production on the property. This will permit Superior to advance the project quickly. Subject to the results of the aforementioned work program, the Company can proceed to build the Plant for the purpose of exercising the option and advancing the project to production. During the option period the Company will be entitled to manage all of the required exploration and development work on the Victory Property

(Expressed in Canadian dollars)

3. MINERAL PROPERTIES (cont'd…)

Ross Alluvial Goldfield, New Zealand (cont'd…)

Ray Thomas project

During the year ended July 31, 2008, the Company entered into an option agreement to acquire a 100% ownership in certain mineral permits, licenses and applications to a mineral property located near Ross Township, New Zealand through the purchase of the shares of R & M Mining Limited ("R & M").

During the year ended July 31, 2010, the Company terminated the agreement resulting in a mineral property write-off of $275,183.

Otama project, New Zealand

On April 28, 2010, the Company entered into an option agreement with Lodestar Resources Limited ("Lodestar") to purchase an 80% interest in the Otama Property in northern Southland, New Zealand by:

i) Payment of up to NZ$20,000 (paid) covering previous Lodestar expenses (for a 20% interest);

ii) The undertaking by the Company of a reverse circulation drilling program at a cost no less than NZ$50,000. (for a cumulative 51% interest);

iii) Exploration expenditure of a further CDN$1,000,000 over 5 years (for a cumulative 80% interest)

Should Lodestar elect not to contribute an on-going project funding once the Company has reached the 80% threshold, it's interest will be converted to a 7% net smelter royalty.

4. EQUIPMENT

	July 31, 2010			July 31, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Vehicle	$ 14,887	$ 8,686	$ 6,201	$ 14,887	$ 6,029	$ 8,858

5. INVESTMENTS

	July 31, 2010	July 31, 2009
Plan Notes	$ 597,438	$ 583,277

(Expressed in Canadian dollars)

5. INVESTMENT (cont'd…)

During the year ended July 31, 2007 the Company acquired 7,210,000 shares representing approximately a 17.575% interest in Pamodzi Gold Limited, a public company quoted on the Johannesburg Stock Exchange. At August 1, 2007 the Company recognized a $717,864 decrease to retained earnings to reflect the opening fair value. At July 31, 2008, the share price was approximately ZAR 4.00 per share, which represented a market value of $4,002,992, resulting in an unrealized loss on investment, during 2008, of $17,086,258. During the year ended July 31, 2009, Pamodzi Gold Limited was taken off of the Johannesburg Stock Exchange and put into receivership and the Company determined that the shares have nil fair value and wrote off the investment, resulting in a loss on investment during the year ended July 31, 2009 of $3,839,412.

At July 31, 2010, investments included Master Asset Vehicle II notes received in exchange for Canadian third-party asset backed commercial paper ("ABCP") that was held by the Company.

The notes held by the Company are referred to as MAVII, including senior notes Class A-1, subordinated notes Class C, and ineligible asset tracking notes Class 13:

Notes	Maturity Date (1)	Interest Rate (2)	Face Value, $	Fair Value Estimate, $
MAV II Class A-1	July 2056	BA - 0.5%	845,153	597,438
MAV II Class C	July 2056	BA + 20%	26,222	-
MAV II Class 13 (Ineligible Asset Tracking Notes)	March 2014		133,050	-
Total			1,004,425	597,438

(1) Maturity date reflects legal maturity date. Latest maturity date of underlying assets is December 2016.
(2) BA rate is Canadian dollar Bankers Acceptance interest rate with a maturity of 90 days.

The notes are classified as held-for-trading under the Company's Financial Instruments Policy which requires them to be fair valued at each period end with changes in fair value included in the statement of operations in the period in which they arise.

The fair value of the Class A-1 notes was established using a discounted cash flow approach based on the following inputs: the notes will pay interest at a rate 0.5% less than the bankers' acceptance ("BA") rate, prospective buyers of these notes estimated to require premium yields 5% over the BA rate, average maturity of Class A -1 Notes estimated to be 6.5 years. The Class C Notes are subordinated to the Class B Notes with respect to payment of interest and principal, and no amounts will be paid with respect to the Class C Notes until the Class B Notes are repaid in full. The Class C and sub-prime backed Class 13 notes are viewed as highly speculative with regard to ultimate payment of principal at maturity. Accordingly, the Class C and sub-prime backed Class 13 notes are valued at $Nil. In conjunction with the note exchange, the Company received a payment of $58,392 which was its share of the accumulated interest to July 31 2009. The interest received to July 31, 2009 was accounted for as a reduction of the Company's investment. The estimated unpaid interest up to the restructuring date of January 21, 2009 is not material and was not included in the Company's fair value calculation.

(Expressed in Canadian dollars)

5. INVESTMENT (cont'd…)

During the year ended July 31, 2010, the Company repaid interest of $2,948 and adjusted for the increase in fair value of $11,214 (2009 – decrease of $218,531).

There is significant amount of uncertainty in estimating the amount and timing of cash flows associated with these notes. Until an active market develops for the MAV II notes, the fair value will be determined using a discounted cash flow approach based on the maximum use of inputs observed from market conditions on subsequent reporting dates. Therefore, the fair values may change materially in subsequent periods.

6. LOAN PAYABLE

The demand non-revolving bridge loan bears interest at the HSBC Bank Prime Rate plus 1% per annum, repayable on demand by the bank. Interest is payable monthly. The loan is secured by the Company's investment in Plan Notes (Note 5). The Company has paid $23,148 in interest during the year ended July 31, 2010 (2009 - $25,585).

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Share Amount	Contributed Surplus
Authorized			
Unlimited common voting shares, without par value			
Issued			
Balance, July 31, 2008	35,707,995	$ 15,000,493	$ 1,877,673
Stock-based compensation	-	-	90,939
Balance, July 31, 2009	35,707,995	15,000,493	1,968,612
Private placement	8,000,000	1,220,000	-
Share issuance costs	-	(95,574)	-
Stock-based compensation	-	-	232,016
Fair value of finders' warrants issued for private placement	-	(10,798)	10,798
Fair value of finders' warrants issued for mineral property	-	-	84,905
Balance, July 31, 2010	43,707,995	$ 16,114,121	$ 2,296,331

During the year ended July 31, 2010, the Company:

a) completed a non-brokered private placement for $720,000 by issuing 6,000,000 common shares at a price of $0.12 per share. The Company paid $47,101 in cash for finders' fees.

b) completed a non-brokered private placement for $500,000 by issuing 2,000,000 common shares at a price of $0.25 per share. The Company paid $48,473 in cash and issued 88,320 finders' warrants with a fair value of $10,798 in connection with the private placement.

(Expressed in Canadian dollars)

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Stock options

The Company has a fixed stock option plan whereby a maximum of 20% of the issued common shares are reserved for issuance under the plan (being an aggregate of 7,141,598 common shares). The options can be granted for a maximum term of five years and pricing and vesting as determined by the board of directors.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2008	5,955,000	$ 0.28
Options granted	600,000	0.13
Options cancelled	(350,000)	(0.22)
Balance, July 31, 2009	6,205,000	0.27
Options – exercise price amended	(1,500,000)	(0.34)
Options – exercise price amended	1,500,000	0.12
Options granted	1,430,000	0.15
Options expired	(1,000,000)	(0.17)
Balance, July 31, 2010	6,635,000	$ 0.21
Number of options currently exercisable	6,547,500	$ 0.21

During the year ended July 31, 2010, the Company:

a) amended the exercise price of 1,500,000 stock options from $0.34 to $0.12 resulting in additional stock-based compensation using the Black-Scholes option pricing model of $31,950. These amounts were recorded as contributed surplus on the balance sheet and as stock-based compensation expense on the statement of operations.

b) granted 1,430,000 stock options resulting in stock-based compensation using the Black-Scholes option pricing model of $192,115. The weighted average fair value of options granted during the year was $0.13. These amounts were also recorded as contributed surplus on the balance sheet and as stock-based compensation expense on the statement of operations.

c) recorded a stock-based compensation expense of $7,951 for options vested.

The following weighted average assumptions were used for the Black-Scholes option pricing model:

	2010	2009
Risk-free interest rate	2.58%	2.97%
Expected life of options	5 years	5 years
Annualized volatility	145%	115 %
Dividend rate	0.00%	0.00%

(Expressed in Canadian dollars)

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2008	2,764,150	$ 0.60
Expired	(2,764,150)	(0.60)
Balance, July 31, 2009	-	-
Granted	338,320	0.40
Balance, July 31, 2010	338,320	$ 0.40

The following weighted average assumptions were used for the Black-Scholes option pricing model:

	2010	2009
Risk-free interest rate	1.39%	-
Expected life of options	1.74 years	-
Annualized volatility	152%	-
Dividend rate	0.00%	-

As at July 31, 2010, the following stock options and warrants were outstanding:

	Number of Shares	Exercise Price		Expiry Date
Stock options	1,355,000	$ 0.25		May 10, 2011
	1,500,000	0.12	*	July 26, 2011
	2,700,000	0.27		August 24, 2012
	250,000	0.08		May 7, 2014
	100,000	0.05		May 28, 2014
	200,000	0.12		September 24, 2014
	230,000	0.215		April 7, 2015
	300,000	0.185		June 25, 2015
Warrants	88,320	0.25		April 9, 2011
	250,000	0.45		April 8, 2012

* Re-priced the exercise price during the year ended July 31, 2010 from $0.34 to $0.12.

(Expressed in Canadian dollars)

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		2010		2009
Cash paid during the year for interest	$	23,148	$	25,585
Cash paid during the year for income taxes	$	-	$	-

During the year ended July 31, 2010, the Company had the following significant non-cash investing and financing activities.

a) included in accounts payable $21,003 (2009 - $35,773) of mineral property costs.

b) amortization allocated to mineral properties of $2,657 (2009 - $Nil).

c) fair value of $10,798 (2009 - $Nil) allocated to finders' warrants.

d) fair value of $84,905(2009 - $Nil) allocated to warrants issued for mineral property.

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) paid or accrued professional fees of $66,000 (2009 - $59,000) to a partnership in which a director has an interest. As at July 31, 2010 an amount of $33,072 (2009 - $12,000) owing was included in accounts payable;

b) paid management fees of $96,500 (2009 - $96,000) to a corporation owned by a director of the Company;

c) paid consulting fees of $66,807 (2009 - $70,147) to a director of a subsidiary;

d) paid administration fees of $12,000 (2009 - $13,045) recorded as office fees to a director of the Company.

e) paid property investigation costs of $10,554 (2009 - $Nil) to a corporation owned by a director of the Company.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties. These figures do not include stock-based compensation (see Note 7).

10. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash and cash equivalents, receivables, investments, accounts payable and accrued liabilities and loan payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS AND RISK (cont'd….)

Concentration of credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk due to the potential for counterparties to default on their contractual obligations consist primarily of investments and receivables. The maximum potential loss on these financial instruments is equal to the carrying amounts of these items. The Company limits its exposure to credit loss by dealing with counterparties it believes to be creditworthy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Fair value

The Company estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value because of the near maturity of those instruments.

As at July 31, 2010, the carrying amount of current financial assets and liabilities approximated the fair value because of the near maturity of those instruments and the carrying value of the demand non-revolving bridge loan (Note 6) is considered to approximate fair value since it bears interest at current rates for similar types of borrowing arrangements.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

	Level 1	Level 2	Level 3
Assets			
Cash and cash equivalents	$ 131,537	$ -	$ -
Investments	-		597,438

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. At July 31, 2010, the Company had $597,438 in Plan Notes. The Company is exposed to credit risk to the extent that the recoverability of the Investments is unknown (Note 5).

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2010, the Company had current assets of $169,698 (2009 - $180,587) to settle current liabilities of $858,289 (2009 - $806,116), which include a $708,000 loan that is secured by the Company's investment in Plan Notes (Note 6). The Company raised additional capital subsequent to year end (Note 16). All of the Company's financial liabilities are classified as current and may mature within the next fiscal period.

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

Fair value (cont'd…)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

(b) Foreign currency risk

The Company has monetary assets and liabilities denominated in foreign currencies and non-monetary assets represented by mineral exploration interests in the Republic of South Africa and New Zealand. The Company could accordingly be at risk for foreign currency fluctuations.

As at July 31, 2010, the Company had the following financial instruments in ZAR$:

	CAD $ equivalent	ZAR $
Cash	42,398	300,479
Accounts receivable	11,131	78,885
Accounts payable and accrued liabilities	40,351	285,980

As at July 31, 2010, ZAR$ amounts were converted at a rate of ZAR$1 to $0.141 Canadian dollars.

As at July 31, 2010, the Company had the following financial instruments in NZD$:

	CAD $ equivalent	NZD $
Accounts payable and accrued liabilities	31,309	41,447

As at July 31, 2010, NZD$ amounts were converted at a rate of NZD$1 to $0.755 Canadian dollars.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company is potentially exposed to price risk on its Investments (Note 5).

11. COMMITMENT

The Company has committed to rent office space for $3,193 per month until February 28, 2011.

(Expressed in Canadian dollars)

12. INCOME TAXES

	2010	2009
Income (loss) for the year, before income taxes	$ (1,293,730)	$ (4,867,506)
Expected income tax recovery (expense)	$ 376,799	$ 1,470,474
Non-taxable loss	(1,494)	(537,518)
Effect of change in tax rate	5,096	(16,107)
Difference in tax rates in other jurisdictions	(908)	(92,901)
Items deductible for tax purposes	30,567	27,329
Items not deductible for income tax purposes	(68,054)	(60,482)
Tax benefits recognized (not recognized)	(342,006)	(781,719)
Total current income taxes	$ -	$ -
Future income tax recovery (provision)	$ -	$ 9,076

	2010	2009
Future income tax assets (liabilities):		
Non-capital loss carryforwards	$ 1,083,835	$ 892,785
Share issuance costs	33,706	35,519
Cumulative exploration and development expenses	1,100,481	1,010,400
Investments	577,570	578,426
Future income tax assets (liabilities)	2,795,592	2,517,130
Valuation allowance	(2,795,592)	(2,517,130)
Net Future income tax assets (liabilities)	$ -	$ -

The Company has available for deduction against future taxable income non-capital losses for Canadian income tax purposes of approximately $4,134,640. These losses, if not utilized, will expire as follows:

2030	$ 814,750
2029	381,600
2028	655,250
2027	719,450
2026	685,400
2025	508,290
2011	369,900
	$ 4,134,640

(Expressed in Canadian dollars)

12. INCOME TAXES (cont'd….)

Subject to certain restrictions, the Company also has available mineral resource related expenditure pools for Canadian income tax purposes totalling approximately $5,135,000 which may be deducted against future taxable income in Canada on a discretionary basis. The Company also has available mineral resource expenses that are related to the Company's exploration activities in South Africa of approximately $1,060,000, and non-capital losses of approximately $179,200 which may be deductible for South Africa tax purposes. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

13. JOINT VENTURE OPERATIONS

The financial statements include the Company's 50% interest in MGI, as follows:

	2010	2009
Cash	$ 1,722	$ 13,430
Non-cash working deficiency	(24,636)	(24,205)
Loss for the year	$ (12,138)	$ (4,131,812)
Cash flows from operating activities	$ (11,708)	$ (22,730)
Cash flows from financing activities	$ -	$ -
Cash flows from investing activities	$ -	$ -

14. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of mineral properties.

Geographic information is as follows:

	July 31, 2010	July 31, 2009
Resource properties		
South Africa	$ 1,141,811	$ 1,054,451
New Zealand	657,069	548,123
Equipment – New Zealand	6,201	8,858

15. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern.

In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (ie. share capital, contributed surplus and deficit).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements. The Company's policy remains unchanged from the prior year.

16. SUBSEQUENT EVENT

Subsequent to July 31, 2010, the Company closed a non-brokered private placement of 3,300,000 common shares at a price of $0.12 per common share, for gross proceeds of $396,000.